

Message Text

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73

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SUBJECT: POST INPUT TO BIC TRADE PROMOTION PROGRAM/
BEST PROSPECTS

REF: A. STATE A-9312, 12 NOV 73

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SUMMARY: MOST PROMISING AREA FOR U.S. SALES IN SAUDI ARABIA ARE IN MAJOR PROJECTS RATHER THAN INDIVIDUAL PRODUCTS, FOR WHICH THERE IS LIMITED SCOPE OUTSIDE OF CONSUMER PRODUCTS. FOR FY 76 RECOMMEND WE EXPERIMENT WITH AN INVESTMENT MISSION IN AGRICULTURE, COMPOSED OF COMPLEMENTARY FIRMS WHICH COULD PRESENT AN INTEGRATED PROGRAM. SECOND SUCH MISSION RECOMMENDED FOR FISHERIES. ONLY TARGET INDUSTRY CATEGORY FOR WHICH WE SEE ANY SCOPE IS ENERGY SYSTEMS. END SUMMARY.

1. AS WE HAVE POINTED OUT IN REFS B AND C AND ELSEWHERE, WHILE PROSPECTS FOR U.S. SALES TO SAUDI ARABIA ARE EXCELLENT, THEY ARE IN GENERAL ASSOCIATED WITH MAJOR SAG TURNKEY PROJECTS AND THEREFORE NOT VERY SUCEPTIBLE TO INDIVIDUAL PRODUCT-
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ORIENTED PROMOTION. ASIDE FROM CONSUMER PRODUCT

AREA, GREAT MAJORITY OF SAUDI IMPORTS ARE IN CONNECTION WITH MAJOR PROJECT CONTRACTS AND THUS DETERMINED PRIMARILY BY HOME COUNTRY CONNECTIONS OF FOREIGN CONTRACTOR. AT THE SAME TIME, AS INDUSTRIALIZATION PROCEEDS IT WILL BE MOSTLY WITHIN THE FRAMEWORK OF JOINT VENTURES, AND THE NATIONALITY OF THE VENTURE PARTNER WILL TO A LARGE EXTENT DETERMINE

SOURCE OF IMPORTS FEEDING THAT VENTURE. THIS IS NOT TO SAY THERE IS NO SCOPE WHATSOEVER FOR PRODUCT-ORIENTED PROMOTION, BUT BULK OF OUR EFFORT SHOULD BE CONCENTRATED ON THE BEST PROSPECTS--MAJOR PROJECT CONTRACTS AND INVESTMENT PROPOSALS. THEREFORE RECOMMEND THAT PRODUCT PROMOTION EVENTS FOR SAUDI ARABIA BE KEPT LIMITED.

2. MOST PROMISING AREAS FOR PRODUCT PROMOTION EVENTS HAVE ALREADY BEEN COVERED UNDER THE FY73 AND 74 PROGRAMS, OR ARE ALREADY SCHEDULED FOR FY 75. THESE INCLUDE HEALTH, EDUCATION, AIRPORTS, CONSTRUCTION, COMMUNICATIONS, WATER RESOURCES, AND MATERIALS HANDLING. WHILE THE ABOVE CATEGORIES DESERVE FOLLOW-UP EFFORTS, WE FRANKLY ARE HARD PUT TO IDENTIFY MANY ADDITIONAL CATEGORIES (OUTSIDE OF CONSUMER GOODS) WHICH WARRANT COVERAGE. THE ONLY TARGET INDUSTRY CATEGORY WHICH WE RECOMMEND IS ENERGY SYSTEMS (PARA 4).

3. RECOMMEND THAT FOR FY 76 (OR POSSIBLE ADD-ON TO FY 75 PROGRAM) COMMERCE UNDERTAKE TO EXPERIMENT WITH AN INVESTMENT MISSION COMPOSED OF COMPLEMENTARY FIRMS, VARIOUS COMBINATIONS OF WHICH COULD PRESENT AN INTEGRATED PROGRAM. FOR A BEGINNING WE SUGGEST AGRICULTURE, WITH FIRMS REPRESENTING VEGETABLE, ORCHARD, LIVESTOCK, AND GRAIN FARMING; STORAGE AND TRANSPORT; FARM EQUIPMENT (NON-INVESTMENT); AGRICULTURAL ENGINEERING; PROCESSING AND PACKAGING; AND FORESTRY AND PAPER. MISSION SHOULD ALSO INCLUDE ADVISORY MEMBERS FROM DEPARTMENT OF AGRICULTURE (INCLUDING U.S. FOREST SERVICE) AND BUREAU OF RECLAMATION. AS A SEPARATE MISSION, PROPOSE FISHERIES WITH GROUP COMPRISED OF UNCLASSIFIED

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TRAWLING AND PROCESSING INTERESTS ALONG WITH PERHAPS CAN MANUFACTURER, AND FIRMS(S) IN FISH MEAL AND OTHER BY-PRODUCTS FOR ANIMAL/HUMAN CONSUMPTION. RED SEA AND PERSIAN GULF TEAM WITH VARIETY OF SEA LIFE WHICH REMAIN LARGELY UNEXPLOITED.

4. ENERGY SYSTEMS EXTREMELY RAPID GROWTH OF INDUSTRIAL ACTIVITY AND URBAN CENTERS, AS WELL AS

AGRICULTURAL DEVELOPMENT AND DESALINATION SYSTEMS,
WILL REQUIRE MAJOR EXPANSION OF ELECTRICITY
GENERATING CAPACITY AND DISTRIBUTION FACILITIES.
(PRODUCTION IN 1973 FOR 5 CITIES WAS ON THE ORDER OF
1000 MILLION KWH.) DEMOGRAPHIC CONDITIONS-I.E., A
FEW CONCENTRATED URBAN CENTERS AMIST WIDELY SCATTERED
SPARSE POPULATION OVER LARGE AREAS--REQUIRE A COM-
BINATION OF MAJOR GENERATING PLANTS (AND DISTRIBUTION
SYSTEMS) ALONG WITH SMALL, SEMI-PORTABLE AND PORTABLE
SETS FOR VILLAGE, NOMADIC AND AGRICULTURAL USE.
IMPORTS CONSTITUTE TOTAL CONSUMPTION. LATEST IMPORT
STATISTICS, FOR 1971, SHOW \$12 MILLION FOR ELECTRIC
GENERATORS, MOTORS AND RELATED GEAR, ABOUT 20 PERCENT
OF WHICH FROM U.S. MARKET CONDITIONS HAVE CHANGED GREATLY
SINCE THEN, OF COURSE, WITH OVERALL SAUDI
IMPORTS HAVING DOUBLED BY 1973. CONSIDER THIS WOULD
BE SUITABLE FOR A TRADE MISSION.
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